HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Fredericton, Moncton & Saint John

Canada Mortgage and Housing Corporation

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Economic Growth to Cool Slightly in 2007

The provincial economy is expected to maintain a steady pace in 2007. Exports continue to face challenges due to the strength of the Canadian dollar and the slumping housing market in the United States. Recent economic boosters, such as the expansion of the Trans Canada Highway, are nearing completion; however, new initiatives and increased capital spending will help sustain economic activity in the province over the forecast period.

Despite relatively modest growth in Saint John in the last ten years, employment stands to increase substantially in coming years due to the ongoing expansion of the region's energy sector. The proposed construction of a second oil refinery would create an estimated 5,000 jobs during the construction phase, to be followed by approximately 1,000 full time jobs once production begins. Although this project is currently in the planning stage - with

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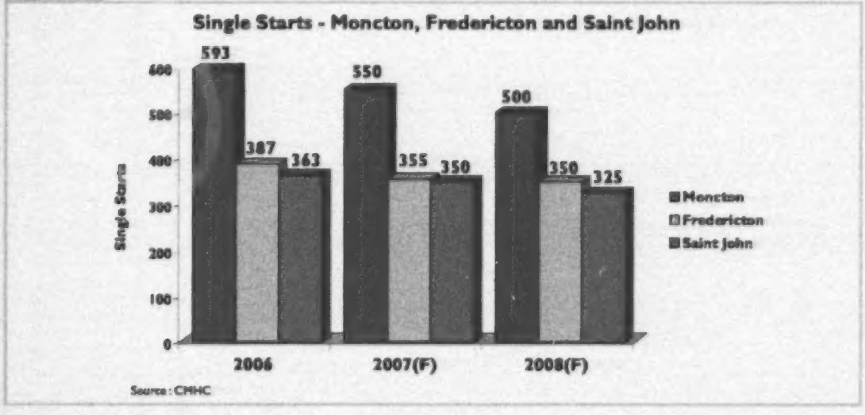

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the start of construction several years away at the earliest - the prospect of a new oil refinery bodes well for future economic activity in Saint John.

In Fredericton and Moncton, job growth has been particularly strong in the service and construction sectors. In fact, they are the only two centres in the province with positive in-migration. As a result, housing demand has remained strong. However, in-migration is slowing due to the growing number of Atlantic Canadians relocating to Western Canada. Consequently, the local labour force will gradually get smaller and limit employment growth.

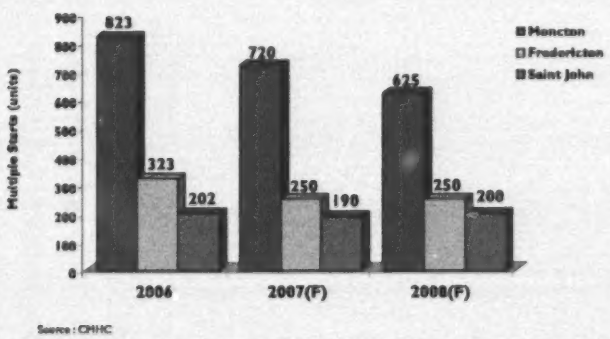
Expect GDP growth in New Brunswick to be between 2.2 and 2.5 per cent in 2007, followed by a moderate increase in 2008. Although the residential housing market will remain strong in historical terms, housing starts are expected to decline slightly over the forecast period for the province as a whole. Total starts should decline to 3,700 units in 2007, with a further drop to 3,600 units in 2008.

Residential Construction to Remain Strong in Historical Terms

In light of current and potential large scale projects in Saint John, housing demand over the forecast period is expected to remain strong in historical terms, though there will be an overall decrease in total units in 2007. After the first three months of 2007, total starts in Saint John exceeded last year's level by over 60 per cent, as multiple starts rose from 2 units last year to 48 units this year. This has helped off-set a moderate decline in single starts, which is expected to continue as the year unfolds. Expect a decline in single starts to 350 units in 2007, with a further drop to 325 units in 2008. After posting 202 multiple starts in 2006, expect a modest decline to 190 units in 2007. However, the proposed refinery project has the potential to stimulate housing demand once construction activity ramps up. Given the proposed timeline for construction, impact on housing demand in 2008 will likely be moderate, but a small increase in multiple starts is expected - up to 200 units - in 2008.

Figure 2

Multiple Starts - Moncton, Fredericton and Saint John



Source : CMHC

Following a strong performance last year, residential construction in Greater Moncton has maintained a brisk pace at the start of 2007. Single starts, which declined for the third consecutive year in 2006, were down by 10 units to 46 in the first quarter when compared to last year's quarterly total of 56 units. With the rising cost of new construction causing a growing number of potential homeowners to focus on the resale market, expect single starts to decline to 550 units in 2007, followed by an additional drop to 500 units in 2008.

Last year, with 396 semi-detached starts, Greater Moncton accounted for over 80 per cent of semi-detached starts in the province. In 2007, the pace has not let up with 28 first quarter starts compared to 24 last year. Due to rising costs, semi-detached units have become the entry level home of choice for those wanting a new home. Expect semi-detached starts to increase in 2007, helping to off-set an anticipated decline in apartment starts. Consequently, multiple starts are expected to remain at historically high levels at 720 units in 2007, followed by a subsequent drop to 625 units in 2008.

Both single and multiple starts declined in Fredericton last year. This trend is likely to continue in 2007. Expect single starts to reach 355 units in 2007 followed by a modest drop to 350 units in 2008. Multiple starts started slowly in the first quarter of 2007 with only 2 starts compared to 36 last year. Condominium units, which have accounted for a significant number of multiple starts in recent years, are expected to decline in 2007 due to

reduced demand. These declines will be partially off-set by increased semi-detached and row starts. As result, expect multiple starts to reach approximately 250 units in both 2007 and 2008.

Resale Market Maintains Stability

In 2006, the average sale price in Saint John maintained a trend of regular annual increases going back ten years, setting a new record for the CMA at $128,202. The resale market is off to a strong start in 2007 with a significant increase in unit sales and average price. The average number of days on market has remained virtually unchanged compared to the same period last year. Expect the resale market to remain strong in historical terms with 1,850 and 1,750 sales in 2007 and 2008, respectively. Furthermore, the average sale price is expected to rise to $132,000 in 2007, with a subsequent increase to $135,000 in 2008.

Last year, new records were set in the Greater Moncton area for unit sales, average sale price and new listings. Although new listings slowed and the average number of days on market increased, unit sales and average sale price for the quarter have exceeded the levels set during the same period in 2006. However, unit sales are expected to cool slightly from last year's total of 2,561 units, to 2,500 and 2,350 sales in 2007 and 2008, respectively. The average sale price is expected to maintain an upward trend, rising to $138,000 in 2007, followed by a subsequent increase to $145,000 in 2008.

In the Fredericton area, an ample supply of new listings - combined with the widening gap between the price of new and existing homes - resulted in brisk sales and steady price growth in the local resale market in 2006. In the first quarter of 2007, unit sales exceeded last year's total by 83 units. However, year-over-year price growth was negative with the average price in the first quarter declining by 0.6 per cent to $135,862. Furthermore, new listings are down and the average number of days on market in the first quarter increased by 32 days compared to last year. In 2007 and 2008, expect unit sales to reach 2,000 and 1,900 units respectively, with the average sale price climbing to $144,000 in 2007, and $149,500 in 2008.

Vacancy Rates Rise in New Brunswick

The rental market in the province's three major urban areas experienced rising vacancy rates in 2006 following relatively high levels of rental unit construction in 2005 and 2006. In Fredericton and Moncton, the vacancy rate increased by 0.8 and 0.9 percentage points respectively. With an increase of 1.1 percentage points, the vacancy rate in Saint John was the highest among the province's three major urban areas at 6.8 per cent.

With current and potential large-scale capital projects in the area, the vacancy rate in Saint John is expected to decline to approximately 5.5 per cent in 2007 and remain stable in 2008. In Fredericton, the vacancy rate should decrease to 4.5 per cent in 2007 due to reduced apartment starts in 2006. A slight increase to 4.7 per cent is expected in 2008. In historical terms, the number of apartment starts in Greater Moncton was high last year. As a result, an increase in the vacancy rate is anticipated in 2007, up to 5.9 per cent from last year's 5.6 per cent. This will be followed by a subsequent decline to 5.5 per cent in 2008. In all three of the province's three major urban areas, expect the average rent increase for a two-bedroom unit to be between 2.0 and 3.0 per cent in both 2007 and 2008.

Forecast Summary Saint John CMA Spring 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	1,612	1,901	1,852	1,850	-0.1	1,750	-5.4
MLS® New Listings	2,810	3,225	3,357	3,350	-0.2	3,240	-3.3
MLS® Average Price ($)	116,836	119,718	128,202	132,000	3.0	135,000	2.3
New Home Market							
Starts:							
Single-Detached	387	403	363	350	-3.6	325	-7.1
Multiples	129	98	202	190	-5.9	200	5.3
Starts - Total	516	501	565	540	-4.4	525	-2.8
Average Price ($):							
Single-Detached	180,819	198,526	215,666	226,500	5.0	234,500	3.5
Median Price ($):							
Single-Detached	169,950	180,000	190,404	196,100	3.0	201,000	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	2.0	4.0	3.3	3.0	-	2.5	-
Rental Market							
October Vacancy Rate (%)	5.8	5.7	6.8	5.5	-1.3	5.5	0.0
Two-bedroom Average Rent (October) ($)	520	526	556	570	3	585	3
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	61,400	61,900	61,900	62,300	0.6	63,100	1.3
Employment Growth (%)	3.5	0.8	0.0	0.6	-0.6	1.3	0.7
Unemployment rate (%)	7.9	7.1	6.1	6.0	-	5.8	-
Net Migration	117	-292	-540	-550	1.9	-450 **	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Moncton CMA Spring 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	2,028	2,341	2,561	2,500	-2.4	2,350	-6.0
MLS® New Listings	3,615	3,756	4,416	4,350	-1.5	4,200	-3.4
MLS® Average Price ($)	113,096	124,088	128,547	138,000	7.4	145,000	5.1
New Home Market							
Starts:							
Single-Detached	760	612	593	550	-7.3	500	-9.1
Multiples	391	579	823	720	-12.5	625	-13.2
Starts - Total	1,151	1,191	1,416	1,270	-10.3	1,125	-11.4
Average Price ($):							
Single-Detached	162,589	168,883	191,220	205,000	7.2	215,000	4.9
Median Price ($):							
Single-Detached	150,000	159,900	179,900	185,300	3.0	189,900	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	2.0	4.0	3.3	3.0	-	2.5	-
Rental Market							
October Vacancy Rate (%)	5.0	4.7	5.6	5.9	0.3	5.5	-0.4
Two-bedroom Average Rent (October) ($)	611	612	636	650	2	665	2
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	68,025	69,025	69,050	69,500	0.7	70,250	1.1
Employment Growth (%)	1.9	1.5	0.0	0.7	-0.7	1.1	0.4
Unemployment rate (%)	6.1	6.3	6.3	6.2	-	6.0	-
Net Migration (N.B.)	-378	49	-1,836	-1,250	-31.9	-750	-40.0

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Forecast Summary Fredericton CA Spring 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	1,923	2,082	2,120	2,000	-5.7	1,900	-5.0
MLS® New Listings	3,438	4,038	4,577	4,350	-5.0	4,225	-2.9
MLS® Average Price ($)	119,191	130,502	138,094	144,000	4.3	149,500	3.8
New Home Market							
Starts:							
Single-Detached	494	402	387	355	-8.3	350	-1.4
Multiples	309	390	323	250	-22.6	250	0.0
Starts - Total	803	792	710	605	-14.8	600	-0.8
Average Price ($):							
Single-Detached	177,100	205,000	211,914	218,500	3.1	225,000	3.0
Median Price ($):							
Single-Detached	172,000	195,000	205,000	211,150	3.0	216,400	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	2.0	4.0	3.3	3.0	-	2.5	-
Rental Market							
October Vacancy Rate (%)	3.7	4.0	4.8	4.5	-0.3	4.7	0.2
Two-bedroom Average Rent (October) ($)	657	675	693	710	2	725	2
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	46,375	46,425	46,675	46,900	0.5	47,250	0.7
Employment Growth (%)	-0.4	0.1	0.5	0.5	0.0	0.7	0.2
Unemployment rate (%)	6.7	6.9	6.2	6.1	-	6.0	-
Net Migration (N.B.)	-378	49	-1,836	-1,250	-31.9	-750	-40.0

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